

Michigan Constitution- Article 9 Sec 9

- “**All specific taxes, except general sales and use taxes and regulatory fees, imposed directly or indirectly on fuels sold or used to propel motor vehicles **upon highways**.....**
- shall, after the payment of necessary collection expenses, **be used exclusively for transportation purposes** as set forth in this section.”

HB 4953 and HB 4954



- **HB 4953** exempts diesel fuel purchased in Michigan from the general sales tax.
- **73% of the sales tax is dedicated the school aid fund and 10 % to revenue sharing(Article 9, Sec. 8, 10 and 11)**
- **HB 4954** replaces the sales tax with a “specific tax for the privilege of using or consuming diesel fuel.”
- **Article 9, Section 9** controls the disposition of the tax levied by HB 4954

Table 1
Diesel Fuel Purchased in Michigan - Fund Split
IFTA Carriers

Current Law - \$2.50 per gallon (\$2.22 base for sales tax)

<u>Michigan Gallons Purchased</u>	<u>Diesel Tax</u>	<u>Sales Tax</u>	<u>Diesel Use Consumption Tax</u>
100	\$15.00	\$13.30	\$0.00
<u>Fund Split</u>			
Michigan Transportation Fund	\$15.00		
School Aid Fund	\$9.75		
Revenue Sharing	\$3.22		
CTF & Other	<u>\$0.33</u>		
Total	\$28.30		

IFTA carriers get refund on their return for diesel tax and 6% of average price for gallons purchased in Michigan and used outside Michigan.

Proposed HB 4953 & 4954 - \$2.50 per gallon (\$2.22 base for sales tax)

<u>Michigan Gallons Purchased</u>	<u>Diesel Tax</u>	<u>Sales Tax</u>	<u>Diesel Use Consumption Tax</u>
100	\$15.00	\$0.00	\$13.30
<u>Fund Split</u>			
Michigan Transportation Fund	\$28.30		
School Aid Fund	\$0.00		
Revenue Sharing	\$0.00		
CTF & Other	<u>\$0.00</u>		
Total	\$28.30		

IFTA carriers get refund on their return for diesel tax for gallons purchased in Michigan and used outside Michigan.

Fund Split Difference on 100 Gallons Purchased in Michigan

Michigan Transportation Fund	\$13.30
School Aid Fund	(\$9.75)
Revenue Sharing	(\$3.22)
CTF & Other	<u>(\$0.33)</u>
Total	(\$0.00)

Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury

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Table 2
Revenue Fund Split - HB 4953 & HB 4954

Current Law

Sales Tax on Diesel Gallons Purchased in Michigan

<u>Fund</u>	<u>Amount</u>
School Aid Fund	\$36,578,526
Revenue Sharing	\$12,071,462
CTF & Other	\$1,232,087
Michigan Transportation Fund	0
Total	\$49,882,075

Proposal HB 4953 & 4954

**Sales Tax Exempt on Diesel Gallons Purchased in Michigan -
Pay 6% Tax on IFTA Return**

<u>Fund</u>	<u>Amount</u>
School Aid Fund	\$0
Revenue Sharing	\$0
CTF & Other	\$0
Michigan Transportation Fund	\$49,882,075
Total	\$49,882,075

Assumes 375 million diesel gallons purchased in Michigan by IFTA carriers
Retail price of \$2.50 a gallon (Sales tax base of \$2.22)

Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury

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